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**From:** Fiedler, Kerri [Fiedler.Kerri@epa.gov]  
**Sent:** 8/1/2016 10:01:48 PM  
**To:** Chalfant, Mark [Chalfant.Mark@epa.gov]  
**Subject:** RE: WSJ: Rio Tinto Has Bounced Back on Stronger Prices for Minerals (8/1/2016)

Thanks Mark.

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**From:** Chalfant, Mark  
**Sent:** Monday, August 01, 2016 3:52 PM  
**To:** Fiedler, Kerri <Fiedler.Kerri@epa.gov>; Christensen, Stanley <Christensen.Stanley@epa.gov>; Murray, Bill <Murray.Bill@epa.gov>; Madigan, Andrea <Madigan.Andrea@epa.gov>; O'Reilly, Maureen <OReilly.Maureen@epa.gov>; Urdiales, Aaron <Urdiales.Aaron@epa.gov>; Douglas Bacon <dbacon@utah.gov>; Sandra Allen <skallen@utah.gov>  
**Subject:** WSJ: Rio Tinto Has Bounced Back on Stronger Prices for Minerals (8/1/2016)

*FYI*

**Rio Tinto Has Bounced Back on Stronger Prices for Minerals**  
Improved commodity prices are expected to boost first-half profit report  
By Rhiannon Hoyle  
The Wall Street Journal  
Updated Aug. 1, 2016 12:17 a.m. ET

<http://www.wsj.com/articles/rio-tinto-has-bounced-back-on-stronger-prices-for-minerals-1469871002>

SYDNEY—When Rio Tinto PLC six months ago abandoned a promise to maintain or increase investor payouts year after year, minerals prices were in a slump. Then-Chief Executive Sam Walsh said he couldn't run the business on hope of a rebound.

Prices for its main commodities—including iron ore, coal and copper—have since bounced back. Aided by robust demand and a slowdown in mining growth, the S&P GSCI Industrial Metals index climbed roughly 8% by the end of the first half.

That improvement, which caught many forecasters by surprise, should feed through to better-than-anticipated earnings for top miners such as Rio Tinto and BHP Billiton Ltd. **BHP -1.55 %** Rio Tinto's

half-year profit report on Wednesday will be the first delivered by new CEO Jean-Sébastien Jacques, who took the helm in early July.

"In the early part of this year there was near panic over balance sheets, as if the market felt half the listed mining sector was going to go bust," said Neil Gregson, natural-resources fund manager at J.P. Morgan Asset Management. "Now, the market is trying to price in moderately improving commodity prices rather than asking, where is the floor?"

Rio Tinto, which two years ago was fending off an advance from rival Glencore **GLNCY 0.00 % PLC**, has garnered attention for how it has been navigating the commodities downturn, with analysts saying its balance sheet is stronger and its mines generate more cash than rivals.

Citigroup **C -0.89 %** this month upgraded its 2016 earnings-per-share forecast for Rio Tinto by almost 10% after raising price estimates on everything from coal to aluminum.

It has made for a rosier picture for Rio Tinto's top ranks than was the case in February, when a retreat on its old dividend policy was accompanied by a net annual loss and strong rhetoric on the state of the sector. "I don't think anybody predicted what is happening in the world economy today," Mr. Walsh said at the time.

Still, it is unlikely Rio Tinto will yet be willing to plump payouts more than anticipated.

Mr. Jacques recently projected commodity markets would remain challenging for years to come. Prices have been volatile and several analysts say iron ore, Rio Tinto's top money-spinner, could head to fresh decade lows later this year because of rising mine supplies as new operations in Australia and Brazil ramp up.

"I don't think there will be a clamor to reinstate a higher level of dividend," said Mr. Gregson, whose funds manage about US\$2 billion in assets, including Rio Tinto shares.

UBS AG forecast a full-year payout of US\$1.10 a share from Rio Tinto, in line with the minimum the miner forecast earlier this year and roughly half what it paid last year.

Instead, the company is more likely to use its cash tackling two other investor bugbears—high debts and longer-run plans for growth.

Rio Tinto has been somewhat of an outlier in its pursuit of production growth, with projects including an underground copper mine in Mongolia and a bauxite mine in Australia under way.

Some competitors remain in a tougher spot.

Anglo American **NGLOY 0.00 % PLC**, in particular, has been undertaking a drastic restructuring that includes unloading many of its mines to steady its ship. On Thursday, it reported a net loss of US\$813 million for the first half. On the same day, Vale **SA VALE -4.00 %** posted a 34% decline in net profit for its second fiscal quarter.

Rio Tinto is expected to report an underlying first-half profit of about US\$1.56 billion, versus US\$2.92 billion a year ago, according to the median of five analyst forecasts.

Some money managers say they would still like to see better balance sheets before Rio Tinto, or its Anglo-Australian rival BHP, splash too much cash on growth. Repaying debts has been an

industrywide problem after companies spent big to expand their operations, chasing China's rising demand.

"The large two miners still have a significant amount of debt on their balance sheet," said Prasad Patkar, an investment manager at Platypus Asset Management, which manages roughly 2 billion Australian dollars (US\$1.5 billion) in assets.

Rio Tinto bought back some bonds in the first half of the year and Citi estimates net debt will drop to US\$11 billion at the end of this year, versus US\$13.8 billion at the end of 2015.

"This," Citi wrote in a July 11 note, "could create the potential for higher payout ratios or capital management in 2017."

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